



VOL. 38,
NO. 3

NEWS FOR AND ABOUT **Kmart** CORPORATION EMPLOYEES

APRIL
1978

K mart sales continued climb in 1977



Chairman of the Board Robert E. Dewar announced sales figures for 1977 at \$9.9 billion, an 18.6 percent increase over 1976's \$8.4 billion in sales. Net income from retailing operations was \$301 million, an increase of 18.1 percent.

These figures verify that we have maintained our number two standing among non-food retail chains in sales and earnings. Before tax income was \$578 million, compared with \$498 million for the previous year.

Our insurance operation, Planned Marketing Associates, produced a net income of \$1.9 million, compared to the \$344,000 net income in 1976. Consolidation of retail operations and the PMA income brought K mart to \$303 million net earnings, against 1976's \$267 million.

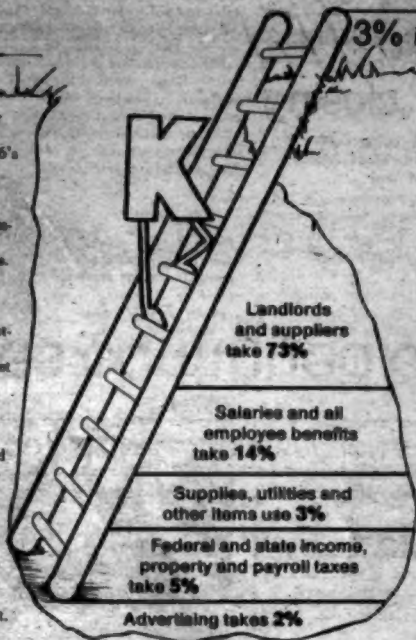
In terms of earnings per share, 1977 had a 13 percent gain, or \$2.43 per share compared to \$2.15 per share in 1976.

K mart Canada Ltd. produced nearly a nine percent increase in sales and an 84 percent increase in net profit expressed in Canadian dollars. But when the money was converted into U.S. dollars, sales were up less than one percent. Net profit, in U.S. dollars, was about half that of 1976's profit. This meant a loss to shareholders of more than 6¢ per share due to currency fluctuations. The Canadian dollar sold at a premium to the U.S. dollar during 1976 and at a discount for most of 1977.

K mart (Australia) Limited, on the other hand, did very well. Their increase was 31 percent over 1976, based on Australian dollars.



2/3 of 1% is paid in dividends
About 2-1/3% is reinvested in fixtures and merchandises



Breaking the figures down by percentages shows how far K mart has to climb up the ladder of expenses to reach profit.

While all these figures may seem overwhelming, there is an easy way to understand where all the money is going. Breaking the figures down by percentages shows how far K mart has to climb up the ladder of expenses to reach profit. First, suppliers and landlords require 73 percent of each sales dollar. Supplies, utilities and other expenses consume 3 percent. Utilities for 1977 rose only 24 percent as compared to the 25 to 30 percent in the past. Considering the number of store openings, this is a considerable savings of money and energy.

Advertising is an increasingly important expenditure, taking over 2 percent of each sales dollar. This, President Ervin Wardlow explains, is "why we put so much effort forth to make sure we have the advertised merchandise available."

Federal and state income, property and payroll taxes take 5 percent of each dollar. That leaves 3 percent for profit; of that, about 2/3 of 1 percent goes to pay dividends to stockholders. About 2 1/3 percent is reinvested in fixtures and merchandise.

In showing how these figures work, Mr. Wardlow explains that shrinkage, for example, indicates that a little over a penny of each dollar we took in went for waste—that is, lost, stolen or damaged merchandise. "If we could save one-quarter of each penny of waste," he says, "we'd have almost 9¢ a share more earnings."

At the earnings meeting at KIH, Chairman Robert E. Dewar, Vice-Chairman Walter Tenings, and President Wardlow expressed their gratitude to everyone in the K mart Corporation for working so hard to make 1977 another outstanding year.